

**PUBLIC**

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK  
MULTILATERAL INVESTMENT FUND

**MEXICO & GUATEMALA**

**EXPANDING THE MICRO MENTOR PLATFORM TO SUPPORT MICRO AND SMALL  
ENTERPRISES GROWTH IN MEXICO AND GUATEMALA  
(RG-M1224)**

**DONORS MEMORANDUM**

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**Under the Access to Information Policy, this document is subject to public disclosure.**

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## PROJECT SUMMARY

### **EXPANDING THE MICROMENTOR PLATFORM TO SUPPORT MICRO AND SMALL ENTERPRISES GROWTH IN MEXICO AND GUATEMALA**

**(RG-M1224)**

Micro and Small Enterprises (MSE) have the potential to become significant drivers of sustainable economic development and job creation. However, in most developing countries many MSE owners lack the resources and knowledge required to grow successful businesses. Challenges include limited business skills, inadequate financing opportunities, information asymmetries, and an overall lack of access to social capital – access to networks, expertise, and markets. These difficulties are magnified for women entrepreneurs in particular. Building the capacity of these micro and small businesses is critical to overcoming these challenges and promoting broad-based economic development. Business mentoring services serve as an effective means of providing entrepreneurs with management expertise and social capital; it is widely recognized as a valuable component of enterprise development, but it has also proven costly to provide, and difficult to standardize and scale.

This project will promote the expansion of professional mentoring services to MSE in Mexico and Guatemala by addressing the challenge of scaling access to effective business mentoring through an innovative online platform. MicroMentor is a proven online mentoring platform – currently operated by MercyCorps in the US – that will be adapted to meet the needs and specifications of MSE in Mexico and Guatemala. It draws on fundamental elements of cutting-edge crowdsourcing initiatives, allowing small business owners to access and leverage the valuable knowledge and expertise of seasoned professionals across a diverse range of industries.

The project will help 1,500 growth-focused MSE owners to build more profitable and sustainable businesses through professional mentoring relationships facilitated by the MicroMentor platform. The power of the guidance and support provided through professional mentoring relationships will augment operational efficiency and management capacity, increase profitability, and expand employment opportunities.

## **ANNEXES**

ANNEX I	Logical Framework
ANNEX II	Budget Summary
ANNEX III	Quality for Effectiveness in Development (QED)

## **APPENDIXES**

Draft Resolution

## **INFORMATION AVAILABLE IN THE TECHNICAL DOCUMENTS SECTION OF MIF PROJECT INFORMATION SYSTEM**

ANNEX IV	Detailed Budget
ANNEX V	Preliminary List of Milestones
ANNEX VI	Diagnostic of Needs of the Executing Agency (DNA)
ANNEX VII	Project Status Reports (PSR), Compliance with Milestones, Fiduciary Arrangements and Integrity Due Diligence
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## **ACRONYMS AND ABBREVIATIONS**

<b>AOP</b>	Annual Operating Plan
<b>DNA</b>	Diagnostic of Executing Agency Needs
<b>IADB</b>	Inter-American Development Bank
<b>MCG</b>	Mercy Corps Guatemala
<b>MIF</b>	Multilateral Investment Fund
<b>MSE</b>	Micro and Small Enterprises
<b>OR</b>	Operating Regulations
<b>PCU</b>	Project Coordination Unit
<b>QED</b>	Quality for Effectiveness in Development
<b>TOR</b>	Terms of Reference

PROJECT INFORMATION

**EXPANDING THE MICROMENTOR PLATFORM TO SUPPORT MICRO AND SMALL ENTERPRISES GROWTH IN MEXICO AND GUATEMALA (RG-M1224)**

<b>Country and Geographic Location:</b>	Guatemala and Mexico		
<b>Executing Agency:</b>	Mercy Corps Guatemala		
<b>Access Area:</b>	Access to Markets and Skills Unit.		
<b>Agenda:</b>	The <i>impact</i> of the Project is to promote Micro and Small Enterprises' growth and development. The <i>result</i> of the Project is to increase MSE's access to networks, expertise and new markets in Mexico and Guatemala by addressing the challenges of scaling access to effective business mentoring through the MicroMentor platform.		
<b>Coordination with Other Donors/Bank Operations:</b>	No specific coordination with other donors or with Bank's operations is expected.		
<b>Direct Beneficiaries:</b>	The Project is expected to directly benefit 1,500 owners of MSE in Mexico and Guatemala.		
<b>Indirect Beneficiaries:</b>	Each MSE receiving mentoring services is more likely to generate additional jobs, having a positive impact on the families of business owners. In addition, organizations in the MSE ecosystem (affiliates) will benefit from having access to complementary services for their clients.		
<b>Financing:</b>	Technical Cooperation:	US\$ 950,000	69%
	Investment:	-	-
	Loan:	-	-
	<b>TOTAL MIF FUNDING:</b>	US\$ 950,000	
	Counterpart:	US\$ 400,000	31%
	Co-financing (if available):	-	-
	<b>TOTAL PROJECT BUDGET:</b>	US\$ 1,350,000	100%
<b>Execution and Disbursement Period:</b>	36 months of execution and 42 months of disbursement.		
<b>Special Contractual Conditions:</b>	None.		
<b>Environmental and Social Impact Review:</b>	This operation was screened and classified as required by the IDB's safeguard policy (OP-703). Given the limited impacts and risks, the proposed category for the Project is C.		
<b>Unit with Disbursement Responsibility:</b>	MIF Guatemala		

## 1. BACKGROUND AND JUSTIFICATION

### A. Diagnosis of the Problem to be addressed by the Project

- 1.1. Micro and Small Enterprises (MSE) have the potential to be a potent driver of sustainable economic development and job generation in the developing world. In developed countries MSE contribute to over half of gross domestic product and total employment, yet in developing countries MSE contribute only 16 percent to GDP<sup>1</sup>. This implies an important gap that could eventually drive income and job growth in developing economies. In Mexico, for example, 99.1% of businesses are MSE<sup>2</sup>, which account for and 60.4% of total employment in 2008, according to the National Institute of Statistics and Geography<sup>3</sup>. However, these MSE produced less than 19% of national GDP in the same year. A similar situation can be found in Guatemala, where a vast majority of all businesses are considered MSE and 38.1% of are considered to be operating at the subsistence level or below<sup>4</sup>.
- 1.2. The prevalence of MSE employment without substantial contributions to GDP in Mexico and Guatemala illustrate the challenges MSE owners face, including limited business skills, inadequate financing opportunities, and an overall lack of access to “social capital” – access to networks, expertise, and markets. These problems are often magnified for women entrepreneurs who face multiple and layered barriers to business growth. Women tend to own smaller firms than men in terms of sales, costs, physical capital, and number of employees, and tend to be concentrated in fewer and less profitable economic sectors than male-owned firms. They also have more difficult access to finance. Women entrepreneurs who start businesses in LAC also experience, on average, a higher failure rate than men. The problem is less about women’s start up as it is about women’s time, human, physical, and social constraints impeding them from developing networks and skills, accessing finance, and growing and sustaining their businesses into larger, formal enterprises in higher value sectors. Evidence shows that, more than improving and expanding their technical knowledge, women primarily need to reinforce their self-awareness, self-confidence, level of personal satisfaction, determination and ability to address the challenges that they face from being women in the business world, where they are a minority. Gender mentoring has proven to be a successful tool for women to develop their self-esteem and leadership skills, and build networks in a short period of time.
- 1.3. Until these problems are addressed, entrepreneurs will continue struggling to grow successfully and sustainably. Indeed, without effectively confronting these challenges, many businesses are forced to close prematurely. Approximately 50% of businesses in Mexico go bankrupt within their first year, 75% within two years, and more than 90%

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<sup>1</sup> Ayyagari, Beck and Demirguc-Kunt, “Small and Medium Enterprises across the Globe: A New Database,” World Bank 2003

<sup>2</sup> “Micro” businesses are defined here as those with 10 or fewer employees and “Small” businesses as those with 11-50 employees based on Mexico’s latest classification (2009) and recommended criteria of the EU and OECD.

<sup>3</sup> From [http://www.inegi.org.mx/est/contenidos/espanol/proyectos/censos/ce2009/pdf/Mono\\_Micro\\_peque\\_mediana.pdf](http://www.inegi.org.mx/est/contenidos/espanol/proyectos/censos/ce2009/pdf/Mono_Micro_peque_mediana.pdf)

<sup>4</sup> From <http://www.mejoremosguate.org/cms/content/files/diagnosticos/economicos/2011.pdf>. “Subsistence level” defined as businesses that generate less than the minimum legal wage per worker.

are out of business within five years<sup>5</sup>. To address these challenges, there has been a major push towards business development services and unique funding support; however, ideas and capital alone may not lead to the success of individual MSE.

- 1.4. Providing business owners with management expertise and social capital through business mentoring is a key component of enterprise development for growth. In this respect, different studies show that mentoring is an important factor for small businesses. For instance, Ernst & Young Nature or Nurture Survey<sup>6</sup> shows that 26% of entrepreneurs cite mentors as a key success factor when asked “What specific forms of education or sources of learning provided you with the skills needed to build successful businesses?”. Business owners and entrepreneurs with strong personal/professional networks are indeed more likely to receive assistance similar to mentoring. Formal mentoring programs enable entrepreneurs to develop the business skills they need and provide access to new networks and markets. However, despite this recognition as an effective means of enterprise development, business mentoring is still widely unknown to business owners and entrepreneurs. This situation is particularly severe in Mexico and Guatemala, where most MSE owners are unaware of what a mentoring relationship is and the kind of benefits it could bring to their businesses.
- 1.5. Yet the challenges that many MSE face in these countries could be vastly improved by connecting with industry experts and professionals with relevant training and experience who can guide MSE owners towards greater efficiency, productivity, and profits. Using the “Growth Diagnostics” methodology of Hausman, Rodrik & Velasco, Guatemala’s National Center for Economic Research found that the most critical factors limiting the growth of MSE in Guatemala included low levels of human capital, information asymmetries, lack of access to financing and informality<sup>7</sup>.
- 1.6. Unfortunately, providing entrepreneurs with access to mentors has proven costly to provide and difficult to standardize and scale to date. In Latin America, economic development organizations tend to reach large audiences but offer limited services (loans, trainings) that exclude business mentoring. Many incubators and accelerators are beginning to include a mentoring component into program offerings (such as *Endeavor* or *Promotora Social*, for example), but are often doing this at a small scale due to high costs and difficulties in standardizing a reliable mentoring service. Accordingly, there is an opportunity to develop a platform that is both scalable and flexible enough to adapt to regional contexts, enabling MSE to access not only local but eventually international mentors and to expand their market opportunities.

## **B. Project Beneficiaries**

- 1.7. The direct beneficiaries of the Project will be 1,500 MSE owners in Mexico and Guatemala. While the initial Project will be implemented in the capital cities of Guatemala and Mexico, it will be expanded to poorer rural regions as part of the

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<sup>5</sup> From <http://winred.com/emprender/el-80-de-las-pymes-fracasa-antes-de-los-cinco-anos-y-el-90-no-llega-a-los-diez-anos-por-que/gmx-niv110-con2970.htm>

<sup>6</sup> From <http://www.ey.com/GL/en/Services/Strategic-Growth-Markets/Nature-or-nurture--Decoding-the-DNA-of-the-entrepreneur>

<sup>7</sup> From [http://www.mejoremosguate.org/cms/content/files/diagnosticos/economicos/Lineamientos\\_PYMES\\_05-05-2011.pdf](http://www.mejoremosguate.org/cms/content/files/diagnosticos/economicos/Lineamientos_PYMES_05-05-2011.pdf)

Project. The MSE owners will be running existing business (MSE already launched), they will have a sufficient knowledge of technology, and they need to be “mentor ready”<sup>8</sup>. Entrepreneurs that do not meet this minimum threshold tend to struggle in taking advantage of the advice of business mentors and often fail to complete the engagement.

- 1.8. During the analysis of the Project, the beneficiary definition was discussed with different local organizations and experts. One concern that came to light was that it may be difficult to source a substantial number of women entrepreneurs that meet the required criteria. According to Mercy Corps’ experience and the experience of other organizations working with similar populations, women account for a small minority – around 10% - of entrepreneurs seeking similar services. In order to promote the maximum participation of women entrepreneurs served by this initiative, the following activities will be developed: (i) the workshops that first engage entrepreneurs in the mentoring process were initially developed for women entrepreneurs and will continue to be adjusted to meet the needs of women entrepreneurs in Latin America; (ii) Mercy Corps will give priority to working with affiliate partners that specialize in serving women entrepreneurs; and (iii) Mercy Corps will request that affiliate partners ensure that at least 50% of their referrals are women entrepreneurs.
- 1.9. The indirect beneficiaries of this Project will be the families that will see a positive downstream impact. Each successful match is expected to have a significant impact on the business, increasing profits and allowing MSE to hire 2 additional people, on average.

**C. Contribution to MIF Mandate, Access Framework and IDB Strategy**

- 1.10. The Project is not related to a specific agenda, but it will contribute to the Topic of value chain by identifying and developing an innovative, scalable, and collaborative network as a tool to promote the economic empowerment of low-income populations. Particularly, the Project supports the efforts of the Value Chain Topic of helping MSE, through innovative tools, to expand their networks therefore increasing their revenue and job creation potential. In addition, the Project will closely coordinate with two related MIF initiatives: Women Economic Empowerment initiative and SME finance. The Project will contribute to the general goal of the Bank to reduce poverty through private sector development, as well as with the country strategies of Mexico and Guatemala by supporting improved placement in labor markets and access to financing for MSME.

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<sup>8</sup> Based upon experience from the United States and from former international pilots, and after close consultation with potential partners, Mercy Corps has identified some preliminary criteria, to be reviewed during the Project execution, that the MSE will need to meet to be selected: (i) MSE is seeking growth capital between \$10,000 and \$100,000; (ii) MSE has the potential to employ more than five employees; (iii) the entrepreneur has at least a high school equivalency level of education; and (iv) the entrepreneur is technically capable (as measured by pre-existing level of engagement in social networks such as Facebook).



## 2. PROJECT DESCRIPTION

### A. Objectives

- 2.1. The *impact* of the Project is to promote Micro and Small Enterprises' growth and development. The *result* of the Project is to increase MSE's access to networks, expertise and new markets in Mexico and Guatemala by addressing the challenges of scaling access to effective business mentoring through the MicroMentor platform. One of the key objectives of this initiative is to develop a robust and self-sustaining business model for MicroMentor, enabling the Project to continue its presence and expansion in Latin America.
- 2.2. In order to achieve the stated goal and result, the Project is comprised of four key components: (i) platform adaptation, mentor recruitment and program establishment; (ii) launching and validation; (iii) scale-up and consolidation; and (iv) knowledge creation, dissemination, and expansion plan.

### B. Description of Model/Solution/Intervention

- 2.3. MicroMentor is an online platform, developed and operated by Mercy Corps – currently in the United States – that enables entrepreneurs and experienced business professionals (mentors<sup>9</sup>) to connect with one another through mentoring relationships. MicroMentor partners with a network of institutions (the “affiliates”, such as MFIs, Chambers of Commerce, NGOs, banks, and incubators, among others) to deliver a two-level service – an online platform and technical assistance support – that enables broad distribution and scale. The value proposition to the affiliates is that MicroMentor makes managing a business-mentoring program simple, cost effective, and scalable, so the affiliates can operate and expand their mentoring initiatives as part of a program. Mercy Corps will sign an agreement with each affiliate in which it will be detailed the relevant roles and responsibilities for the operation of platform and the relationship with the mentees.
- 2.4. The mentoring program is supported by a web platform. Entrepreneurs and mentors access the platform and create online profiles describing their businesses and professional expertise<sup>10</sup>. The system's smart matching engine then suggests relevant pairings of mentors and entrepreneurs based on industry, expertise, and location. Entrepreneurs create “mentoring requests” focused on a specific business objective – from creating business plans or preparing to secure investment capital, to addressing cash flow problems or generating new-market entry strategies – and receive

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<sup>9</sup> MicroMentor has 4300+ mentors in the US and will recruit additional mentors in Mexico and Guatemala. Mentors are volunteer business professionals who volunteer their services, looking for a flexible volunteer opportunity. Mentors who enroll in MicroMentor in Mexico and Guatemala will receive trainings – either through the corporate sponsorship program, through an affiliation with an organization, and/or online.

<sup>10</sup> Most relationships will utilize a mix of in-person meetings, email, and phone/skype communication. MicroMentor encourages entrepreneurs and their mentors to establish weekly meetings during which they review progress, discuss challenges, and establish new goals. Mentoring relationships continue as long as the mentor and the mentee are interested in maintaining the relationship. Generally, the mentoring relationship will conclude when the parties have achieved the goal they set out at the beginning of the relationship.

“mentoring offers” from prospective mentors with relevant skills, training and experience.

- 2.5. MicroMentor can be used to address a diverse array of issues confronting small business entrepreneurs: the pottery maker who has the potential to distribute her products in the US but requires general business expertise and greater understanding of US market demand and local export regulations; a coffee cooperative that exports coffee to the US but wants to increase visibility in foreign markets; the language school owner who wants to develop a website to increase publicity to the tourist community; or the garment producer who makes quality products but is unsure how to scale-up production. Specific business services provided through MicroMentor may include: (i) legal advisory services, including export codes, business formalization procedures, and/or quality standards for product/service certification; (ii) financial advisory services, including the development of cash flow/bookkeeping standards, investment analysis, product pricing, and/or establishing internal cost controls; (iii) strategic planning assistance such as business analysis, market insight, and/or the creation of a business plan; (iv) guidance on product development such as best practices in quality control, input sourcing, and maximizing operational efficiency; (v) business marketing support, including web site creation/development guidance, logo design and development of branding/marketing materials, and/or how to target specific consumer segments; and (vi) expanding networks of relevant professional and business contacts.
- 2.6. Mercy Corps will try to forge strategic partnerships with large companies with a substantial presence in the region, allowing for the dissemination of its positive impact and garnering broader support in the region. Once the MicroMentor model proves to be successful and sustainable, the potential to expand the program in other countries within and outside of the region will be significant. By partnering with large corporations, it is expected that MicroMentor will benefit as well with a supply of corporate mentors, therefore overcoming an important barrier for the consolidation of the model.

### **C. Components**

**Component I: Platform adaptation, mentor recruitment and program establishment. MIF: US\$120,673; Counterpart: US\$90,433.**

- 2.7. Under this component the existing platform will be adapted to respond to the specific needs of Mexico and Guatemala. The component will also include the development of agreements with affiliates so that a broad base of local partners is part of the network. In addition, the precise demand for specific business services will be assessed in order to set a catalogue of mentoring opportunities and tools. Finally, under this component an intense campaign to recruit local mentors in Mexico and Guatemala will be implemented (i.e. through business schools, chambers of commerce, and employee engagement programs attached to corporate social responsibility initiatives).
- 2.8. The objective of this component is to set the foundation for Project implementation. It will validate the profile and basic skills that participant MSE should possess to participate effectively in the MicroMentor program. In addition, it will establish the basic intake criteria for affiliate organizations and the guiding principles that mentors

will be trained in as part of their agreement to participate in the Project. These will be defined based on interviews with potential affiliates and their employees as well as mentees and through consultations with the EA. MSE in Guatemala and Mexico will also have the opportunity to reach out to mentors in the United States that are already involved with MicroMentor and its existing network, according to the needs and capabilities of the MSE.

- 2.9. Activities under this component will include the following: (i) market study to assess business demands, identify business mentoring needs, determine necessary changes to the online platform, and adjust live programming; (ii) platform adaptation: incorporate changes based upon needs assessment, language compatibility, and requirements for evaluation; (iii) design standard agreements with local Affiliates to incorporate them into the MicroMentor network and establish criteria for employee participation; (iv) develop an agreement with mentor recruitment sources in order to plan and execute a recruiting campaign; and (v) definition of specific business impact indicators that are incorporated into the MicroMentor online platform.

**Component II: Launching and validation. MIF: US\$330,896; Counterpart: US\$32,088.**

- 2.10. The objective of this component is to launch the platform both in Mexico and in Guatemala. For this purpose, MCG will recruit professional mentors and entrepreneurs running MSE that will benefit from engagement in a mentoring relationship. Under this component mentoring workshops will be held for mentors and mentees, resulting in registration of both in the online MicroMentor platform. In order to provide options for businesses requiring greater understanding of the local socioeconomic context, an estimate of 70% of participating mentors will be based in Mexico/Guatemala.<sup>11</sup> Given the overall success of the initial MicroMentor program in the capital cities and the incorporation of any necessary structural adjustments, the program will be expanded to rural areas of Mexico and Guatemala. Finally, it will evaluate the program's impact on participating MSE based on key business performance indicators.
- 2.11. The activities of this component will include the following: (i) launch of mentoring workshops, conducting a minimum of one workshop per Affiliate and four trainings per year; (ii) MSE recruiting campaigns by Affiliates; and (iii) assess status of the mentoring program, make necessary adjustments to platform, materials, and workshops, and incorporate impact indicators that have been defined.

**Component III: Scale up and consolidation. MIF: US\$124,000; Counterpart: US\$ 22,000.**

- 2.12. The objectives of this component are to ensure sustainability of the refined MicroMentor program and to assess the potential for further expansion of the model, both within the countries and in LAC. To promote sustainability through greater local

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<sup>11</sup> The pilot experiences in Haiti and Nicaragua prove that international mentoring connections are often difficult to maintain, mentors don't fully understand the socioeconomic context, and it is difficult to establish the necessary level of "trust" in the mentoring relationship. Therefore, the Project aims to establish a strong network of mentors in in each country. The exception to this rule will be businesses that have products or services that are offered to a U.S. market. These business owners really thrived with U.S. based mentors who were able to provide insight into the international markets and were able to make connections with new and relevant networks.

ownership of the program, MCG will train Affiliates to conduct effective mentoring workshops and respond to customer service requests on their own. The component also aims to determine the viability of leveraging mobile communications technologies to improve mentoring services and accessibility of the platform.

- 2.13. Activities under this component include the following: (i) expand the number of participating Affiliates, particularly targeting rural areas; (ii) implement Affiliate sustainability training workshops; (iii) develop a mobile technology feasibility study and potential implementation; and (iv) distribute e-newsletters containing relevant mentoring opportunities, mentoring tools and announcements to participants.

**Component IV: Knowledge management and communications strategy. MIF US\$77,279; Counterpart US\$21,500.**

- 2.14. The Project's knowledge objective is to adapt, test and disseminate an online mentoring model in Latin America that supports the growth of MSE. In this respect, although business mentoring is an increasingly applied intervention to support growing businesses, traditional models only focus on a small number of entrepreneurs and businesses run by specialized organizations. The main communication message of this Project is to make the case for effectively scaling mentoring services, through a crowdsourcing mechanism, while simultaneously studying its efficacy and impact on beneficiary businesses. The lessons from this initiative, taken together with similar Projects in the region, can be consolidated and used to develop a knowledge base related to business mentoring as well as crowdsourcing tools to promote MSE growth.
- 2.15. The Project will test and identify best practices related to running online mentoring programs, and demonstrate the validity of an online collaborative platform using crowdsourcing in the Latin American context. In addition, the Project will test the feasibility of providing mobile access and services to the platform. The main knowledge sharing product will be a "how to guide", incorporating the lessons learned over the course of the Project as well as the structure for a successful and scalable mentor initiative. In order to share the results and findings of this initiative, it is expected that the Project will engage the ANDE network to reach a broader audience. In addition, the Project will develop a study on metrics for online platforms that will help MIF to better understand how to monitor and evaluate innovative tools using crowdsourcing and collaborative networks.
- 2.16. To further disseminate and incentivize the use of the model, the Project will develop and disseminate a set of stories of successful businesses and mentors, which will be used to illustrate opportunities and benefits of participating in the program. These will be prepared in different formats, using written accounts, images, and videos.
- 2.17. Activities under this component will include the following: (i) definition of a communication strategy and work plan; (ii) identification and incorporation of best practices for mentoring services; (iii) development of a comprehensive "how-to-guide"; (iv) study on how to monitor and evaluate crowdsourcing platforms; and (v) development and dissemination of case studies on the impact of mentoring services on MSE.

#### **D. Project Governance and Execution Mechanism**

- 2.18. To facilitate implementation of the proposed Project, a Project Executing Unit (PEU) will be set up at the MCG offices in Guatemala City. This unit will include a project coordinator supported by an accountant and administrative assistant. The PEU will be responsible for technical implementation as well as Project management, together with reporting and administration tasks related to IDB/MIF requirements. The PEU will receive logistic, technical, and operational support from MCG.
- 2.19. For the procurement of goods and contracting of consulting services, the executing agency will apply IDB policies (GN-2349-9 and GN-2350-9) and the Procurement Guidelines for Technical Cooperation issued within IDB policies. Before engaging in procurement and contracting for the Project, the executing agency shall submit a Procurement Plan, which will be reviewed and updated annually for consideration by the IDB. All procurement processes will be reviewed on an ex post basis, except for the procurement processes of the first four critical consultancies which will be reviewed ex ante.
- 2.20. In order to implement more effectively the activities in Mexico, MCG will partner with a local entity in Mexico to execute Project activities and manage Project resources in that country<sup>12</sup>. MCG will retain responsibility for providing comprehensive progress reports on Project implementation and Project resources to MIF, but it will be able to channel resources and implement activities through the local partner in Mexico. MIF will need to approve the agreement<sup>13</sup> between MCG and the local entity in Mexico as a condition to the effective starting of the main operations in that country (not including preliminary visits of MCG in the concept of main operations).

#### **E. Sustainability**

- 2.21. One of the key objectives of this initiative is to develop a robust and self-sustaining business model for MicroMentor, enabling the Project to continue its presence and expansion in Latin America beyond the scope of this initiative. The present business model includes the support of a combination of corporate sponsors, donations, and income generated via membership and licensing fees paid by affiliate partners<sup>14</sup>. MicroMentor will seek one strategic corporate sponsorship per country. That sponsor will be a source of both volunteer mentors and income. The corporation will receive recognition at all live events, in marketing materials, and on the website. Potential corporate sponsors like Cemex, Walmart, Citi, and American Express have

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<sup>12</sup> For this purpose, a preliminary agreement has been established between MCG and Causas Mexico SC ([www.causas.org](http://www.causas.org)), a non-profit entity that connects individuals interested in volunteering with non-profits or civic engagement opportunities. Despite this preliminary agreement, during the course of the Project, Mercy Corps may change the local partner in Mexico if the circumstances make it necessary.

<sup>13</sup> Such agreement between MCG and the Mexican entity will be in accordance with the TC agreement signed by MCG and the Bank.

<sup>14</sup> In the United States MicroMentor Affiliates pay an annual membership fee of US\$2,000 which covers the cost of the Affiliate Cohort and the direct technical assistance that MicroMentor provides to the Affiliate. During the Program Start Up and Platform Adaptation Component of this initiative, MicroMentor will determine which price is adequate for the Mexican/Guatemalan context.

expressed their interest in supporting the program expansion in the LAC region. The Project will also explore a “freemium” model whereby entrepreneurs and affiliates have access to certain components of the platform for free (i.e. participating in groups, participating in the Q&A section, and accessing resources), but will be charged a fee for access to on-site trainings and to heightened or extended levels of mentoring.

#### **F. Experience and Lessons Learned from MIF or other Institutions**

- 2.22. MIF experience in providing mentoring services has been mostly related to high growth entrepreneurs (in programs with entities such as Endeavor). In addition, projects related to the development of human capital (such as Lumni) have tested models to provide mentoring to higher education studies, but again with limited scale.
- 2.23. In its current format, MicroMentor has been active in the United States since 2009, and has helped facilitate more than 4350 mentoring relationships. These mentoring relationships have had a real impact in the US, and according with Mercy Corps internal evaluations<sup>15</sup>, thanks to MicroMentor services the entrepreneurs are more likely to: (i) survive - 84% of businesses were still operating 1-2 years after their mentoring relationship, the national average for like businesses is only 66%; (ii) thrive - on average entrepreneurs see significant increases in their revenues, 2012’s business outcomes survey showed an annual increase of U\$60,000; and (iii) grow - despite a lackluster economy, entrepreneurs that connected with a mentor hired an average of 0.66 new employees in that year. This experience has enabled Mercy Corps to hone the technological platform as well as the processes that support the mentoring relationships.
- 2.24. As part of the foundations for this initiative, Mercy Corps carried out two pilots in international contexts, Nicaragua and Haiti, which have provided important insights. Each pilot used a slightly different business model – in Nicaragua Mercy Corps relied heavily on one Affiliate Partner and managed the relationship from abroad; in Haiti, Mercy Corps had an on-the-ground presence and worked together with Affiliates to reach out to entrepreneurs. Lessons that were learned during both of these pilots and that have been considered in the development of the present Project are: (i) the importance of “kick-off” events to introduce MSE owners to the concept of mentoring, to teach the owners a new technique to analyze and articulate business challenges, and to expose the owners to a brief peer mentoring exercise; (ii) to narrow the types of MSE that are “mentor-ready;” (iii) to recognize the importance of capacity building for the affiliates to increase their sense of ownership of the mentoring program, providing them with services such as an intensive up-front training and access to client activity and outcomes through the online portal; (iv) to establish a strong network of mentors in each country to counteract the reality that international mentoring connections are often difficult to maintain, that international mentors don’t fully understand the socioeconomic context, and it is difficult to establish the necessary level of “trust” in international mentoring relationships; and (v) international mentors will still be used to

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<sup>15</sup> A rigorous impact evaluation has not yet been done in the US program and these are internal results from Mercy Corps. The opportunity for doing a rigorous impact evaluation in the current Project will be analyzed during project execution by the MIF/DEU team.

provide mentoring for businesses that have products or services that are offered to a U.S. market.

**G. MIF Additionality**

- 2.25. MIF non-financial additionality is significant in this Project. MIF's reputation and partner network will enable the platform to enter this new market with a central actor in the MSE support space. MIF participation can be a vehicle toward scale, serving as a connector and a valuable source of input in adapting the platform to the Latin American context. Regarding the financial additionality, MIF funding will focus on developing the basic capacities and infrastructure in both countries, so that other funders may join this initiative and local partners can lead the effort to scale the program.

**H. Project Results**

- 2.26. It is expected that the Project will increase MSE's access to networks, expertise and new markets in Mexico and Guatemala by addressing the challenges of scaling access to effective business mentoring through the MicroMentor platform. The following indicators will be used to measure the achievement of this result:

- 225 MSE gain access to new export markets
- 1,500 MSE's will receive one-on-one mentoring services (35% of which will be women)
- 40 enterprise development organizations will develop the capacity to provide mentoring resources to their networks, and where appropriate, to support entrepreneurs in one-on-one mentoring relationships
- 75% of mentoring relationships will successfully accomplish one or more of the entrepreneur's stated goals
- 75% of MSE will expand their professional networks

**I. Project Impact**

- 2.27. The expected *impact* of the Project is to promote Micro and Small Enterprises' growth and development. The following indicators will be used to track the progress towards this expected impact:

- 20% increase in revenue of the MSE receiving MicroMentor services
- 2,250 new jobs created in MSE with MicroMentor services

**J. Systemic Impact**

- 2.28. The initiative has high potential to be replicated in other countries in the region and further expanded in Guatemala and Mexico. By testing the MicroMentor model in two very different countries, the Project will be able to determine which Project features work in their current state and which ones need to be adapted for the varying contexts. Once the model has been tested and adapted in both contexts, MicroMentor will be better prepared to launch services in other Latin American contexts, in particular by taking advantage of the economies of scale to enhance further expansion (other countries in Central America and Colombia are the most likely targets). The development of MicroMentor programs in Mexico and Guatemala will continue to

target and support local MSE after Project completion, expanding the Projects' impact well beyond the initial scope and contributing to sustainable economic growth in the medium to long term.

### **3. MONITORING AND EVALUATION STRATEGY**

- 3.1. The Project will test a specific hypothesis: that business mentoring has a positive effect on access to networks, expertise and markets which will translate in an improvement of MSE business outcomes. An evaluation strategy will be developed to study whether business mentoring has a positive effect on such business outcomes as, revenue, and number of jobs created. This evaluation strategy will include an analysis of the platform's potential to capture information. Ideally the evaluation strategy will imply the adaptation of the platform; to capture information that later can be used for Project monitoring and evaluation; and the design of a survey instrument for mentors and mentees that allow to measure changes after the intervention.
- 3.2. Before the mentoring relationship starts the mentee and the mentor will answer an online survey. The mentee's survey will include information about their business (type, size, performance, etc.); their individual characteristics (age, level of education, experience, entrepreneurial capacity, etc.) and the expected objectives for the mentorship relation. The mentor's survey will include information about their individual characteristics and the expected objectives. Upon completion of each mentoring relationship, mentee and mentor will answer again an online survey (supplemented by hands-on data gathering activities if needed) to assess the achievement of the expected objectives and the changes in the mentee's business performance. Training and tools will be provided to affiliate staff to enable them to perform evaluation activities and access reports on client data, program activity and survey responses.
- 3.3. The affiliate program is integral to the success of this initiative. MCG staff will be working closely with affiliate coordinators to help implement MicroMentor within different organizations. These implementations will be closely monitored. In addition to general programmatic metrics (such as number of participant attending trainings, receiving mentoring, etc.), MCG will conduct annual surveys with affiliate coordinators to identify successes and challenges. Best practices will be developed, distributed, and replicated as the Project advances.
- 3.4. The Project will be subject to a process evaluation (to be conducted out 18 months after the first disbursement or after 50% of the MIF resources have been disbursed, whichever occurs first) , by consultants hired by the MIF in Mexico and Guatemala. This evaluation will assess: (i) progress in achievement of results and outputs indicators (in measuring these factors, the indicators given in the Logical Framework (Annex 1) will be taken into consideration); (ii) difficulties encountered in Project execution, and proposed solutions; (iii) implementation of the evaluation strategy (availability of a baseline and monitoring and evaluation system); and (iv) lessons learned and recommendations for effective Project implementation and enhancing replicability.



- 3.5. A final evaluation will be undertaken by external consultants contracted by the MIF in Mexico and Guatemala. The evaluation will be done three months after the end of Project execution. For the final evaluation, consultants will consider, among other items the following evaluation questions: (i) has MicroMentor provided effective mentoring services to a broad number of SME, therefore making the case for online mentoring services?; (ii) is there a sufficient number of local mentors engaged in the program?; (iii) have the MSE that received mentoring services grown more than similar MSE in the Affiliates portfolios? ; (iv) has Mercy Corps achieved enough partnerships to assure a strong financial support for the initiative; (v) what are the main changes in a before and after comparison in terms of business performance and skills of the entrepreneurs who received the mentoring?; and (vi) is there evidence of interest from other countries/entities to replicate the model? Reports and surveys from external monitoring and evaluation consultants will go directly to the IDB COF in Guatemala and to the IDB Headquarters in Washington DC.

#### 4. COST AND FINANCING

- 4.1. The Project has a total cost of US\$1,350,000, of which US\$950,000 (69%) will be provided by the MIF, and US\$400,000 (31%) by the counterpart. The execution period will be of 36 months and the disbursement period will be of 42 months.

Components	FOMIN	COUNTERPART	TOTAL
<b>Component I: Platform adaptation, mentor recruitment and program establishment</b>	120,673	90,443	211,116
<b>Component II: Launching and validation in Guatemala and Mexico</b>	330,896	32,088	362,984
<b>Component III: Scale-Up and Consolidation</b>	124,000	22,000	146,000
<b>Component IV: Knowledge creation, dissemination, and expansion plan</b>	77,279	21,500	98,779
Executing agency / Administrative	153,376	233,969	387,345
Ex post reviews	15,000		15,000
Base line, monitoring and evaluation	40,000		40,000
Contingencies	19,728		19,728
<b>Sub-Total</b>	<b>880,952</b>	<b>400,000</b>	<b>1,280,952</b>
% of Financing	68.77%	31.23%	
Agenda account	25,000		
Impact evaluation account (5%)	44,048		44,048
<b>Grand Total</b>	<b>950,000</b>	<b>400,000</b>	<b>1,350,000</b>

#### 5. EXECUTING AGENCY

##### A. Executing Agency

- 5.1. Mercy Corps Guatemala (MCG) will be the Executing Agency of this Project and will sign the agreement with the Bank. Mercy Corps' mission is to alleviate suffering, poverty, and oppression by helping people build secure, productive, and just communities across the globe. Mercy Corps is considered a pioneer in the area of social innovation

and has successfully incubated and launched a number of social enterprises. Mercy Corps has been operating in Guatemala since 2002 and has a recognized presence and strong local team in the country<sup>16</sup>.

- 5.2. MCG will establish an executing unit and the necessary structure to effectively and efficiently execute Project activities and manage Project resources. MCG will also be responsible for providing progress reports on Project implementation. Details on the structure of the execution unit and reporting requirements are in Annex 7 in the project technical files.
- 5.3. The MIF in the IDB Country Office in Guatemala will be responsible for supervising and monitoring the Project, and will be assisted by the project team. MCG will be responsible for presenting Project Status Reports (PSRs) to the MIF within thirty (30) days after the end of each semester. These reports will contain information on Project execution, achievement of milestones, and completion of Project objectives as states in the logical framework and other operative planning instruments. The PSR will also describe Project issues encountered during execution and outline possible solutions. Within 90 days after the end of the execution term, the EA will submit a final Project Status Report to the MIF, which will highlight results achieved, Project sustainability, and lessons learned. To effectively evaluate the program and monitor Project results and outcomes, a Data Gathering/Monitoring System will be established by the Executing Agency. This system should include the data from the baseline study conducted in Component 1 to determine the socio-economic status of the beneficiaries before program intervention. The MIF specialist in Guatemala will coordinate with the MIF specialist in Mexico for the following up of the technical activities of the Project.

## **6. PROJECT RISKS**

- 6.1. Despite having a solid model in the US, new challenges may arise as the MicroMentor platform is implemented in new contexts such as Mexico and Guatemala. To address this risk, the Project will quickly and iteratively make program enhancements to both the technical platform and the Project processes based on guidance and recommendations from the affiliates and from the local inputs in both countries from MSE.
- 6.2. A second risk is the capacity of the model to attract valuable local mentors, particularly in countries where mentoring is not yet widely recognized. The risk of encountering a weak culture of professional mentoring in Mexico and Guatemala will be addressed by leveraging the brand recognition of a large multinational corporation with strong ties to corporate volunteerism and similar professional mentoring programs. This endorsement will entice other medium and large enterprises in the local socioeconomic context to collaborate with mentoring services as they recognize the benefits the programs pose for their firms. Specific activities and surveys to track the satisfaction of the mentors will

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<sup>16</sup> The strong institutional presence of Mercy Corps in Guatemala will support the execution of the project in that country. The expansion to Mexico is justified by the broader opportunities that the Mexican market presents for MicroMentor.

be developed in order to create a virtuous circle where successful mentors recommend the experience to other mentors.

- 6.3. A third risk is related to access and reliability MSE and mentors have to the internet as well as their ability to effectively engage in the interactive online platform. This will be mitigated through mentor/mentee trainings that will walk participants through the process of registration and communications through the online system. Additionally, the initial program establishment in urban centers of both countries will ensure easier access and reliability of internet and mobile communications services.

## **7. ENVIRONMENTAL AND SOCIAL EFFECTS**

- 7.1. There are no known environmental spillover effects. Regarding social aspects and as it has been mentioned before, women entrepreneurs face significant structural and cultural barriers to starting and growing a business, ranging from discrimination to violence. Business mentors will provide women entrepreneurs with access to networks that are often elusive, will provide women entrepreneurs with positive examples of women succeeding, and through the online platform, will provide women with a peer network of other women entrepreneurs. According to the Environmental and Social Review, this Project was classified as "C".

## **8. COMPLIANCE WITH MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS**

- 8.1. **Disbursement by Results and Fiduciary Arrangements.** The Executing Agency will adhere to the standard MIF disbursement by results, procurement and financial management arrangements specified in Annex 8.
- 8.2. Project disbursements will be contingent upon the achievement of milestones, which will be agreed between the Executing Agency and the MIF along with their means of verification. Achievement of milestones does not exempt the Executing Agency from the responsibility to reach the Project's objectives (indicators in the logical frame). Under the modality of Performance and Risk-based Project Management, disbursements will be made through an advance of funds, through which the required resources will be disbursed according to Project expenses needed, related to costs budgeted in the annual plan.

## **9. INFORMATION DISCLOSURE AND INTELLECTUAL PROPERTY**

- 9.1 **Information Disclosure.** Under the access to information policy, this document is subject to public disclosure.
- 9.2 **Intellectual Property.** The Project was originated as part of the MicroMentor platform, currently being operated by Mercy Corps in the USA. Accordingly, the platform that will be developed for Latin America and the Caribbean by this Project must be understood as a substantial part of a broader and pre-existing platform and operation model. Mercy Corps will therefore own the intellectual property rights on the platform, its systems, and manuals. The MIF/IDB, on the other hand, will own the knowledge products and evaluations developed under the Project. The MIF/IDB will